

VZCZCXYZ0028  
PP RUEHWEB

DE RUEHRO #2288/01 2260911  
ZNY CCCCC ZZH  
P 140911Z AUG 06  
FM AMEMBASSY ROME  
TO RUEHC/SECSTATE WASHDC PRIORITY 5626  
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L ROME 002288

SIPDIS

SIPDIS

E.O. 12958: DECL: 08/11/2016  
TAGS: [ECON](#) [ETRD](#) [ENRG](#) [IT](#)  
SUBJECT: ECONOMIC DEVELOPMENT MINISTER BERSANI CHARTS WAY  
FORWARD ON ECONOMIC REFORMS

REF: JULY 31 2006 SIPRNET REPORT

Classified By: A/Ecmin Kathleen Reddy for Reasons 1.4 (b) and (d)

¶1. (U) Summary: In a courtesy call by Ambassador Spogli August 2, Economic Development Minister Pierluigi Bersani outlined his plans for further economic liberalization and identified barriers to reform. He expressed enthusiasm for the Ambassador's Partnership for Growth, and said Italian companies have not taken full advantage of the opportunities of globalization, due to limitations of capital and management expertise. On energy, Bersani said EU Member States should act as one, and expressed concern over the EU dependence on Russian energy. End summary.

#### Reform Efforts Underway

-----

¶2. (C) Minister Bersani told the Ambassador that reforms being made in the taxi and pharmacy businesses are the first in a process of opening up different sectors of the Italian economy to new competition. By increasing the number of taxi licenses that cities can issue and allowing supermarkets to sell over-the-counter medication, Bersani seeks to "introduce a new idea, that the price of public concessions can be market-driven." Bersani said he intends to reorganize the GOI economic agencies and authorities. The media reports "phase two" of Bersani's reforms will include the energy sector, class action lawsuits, and local services. (See Sipirnet report.) The Ambassador noted that Bersani's actions to date are in the same spirit as the Partnership for Growth, an Embassy program to encourage Italian entrepreneurship and economic growth. Bersani agreed, and responded that he would like to work with the Ambassador "at the right time" on initiatives which spur U.S. investment in Italy and foster economic growth.

¶3. (C) According to Bersani, the challenge facing his reform efforts is twofold. First, there is political opposition to reforms which jeopardize established business interests. Second, there is opposition from industrial interests which do not want to adopt new technologies or change the way they do business. Bersani lamented that many Italian businesses do not have clearly defined objectives and that as a result, they are unable to identify technologies or business opportunities to assist them in achieving their goals. Referring to the Partnership for Growth, Bersani noted that Italian business needs to learn how to use private equity capital and to collaborate on research. Bersani said he would like to encourage modernization of sectors in which Italian business has a competitive advantage, such as the pharmaceutical, medical equipment, and energy sectors.

¶4. (C) Bersani noted that Italy does not have a culture or history of professional managers, and that such managers are necessary for small- and medium-sized businesses to take

advantage of the opportunities presented by globalization. Without professional managers, most Italian companies cannot cope with the many bureaucratic processes inherent in international trade. "Italian structures are expensive and inefficient" and, in the absence of professional managers who know how the system works, prevent many Italian companies from doing business in places like China, he said. He added that family-owned companies also are not aware of the availability of "non-bank" financing (e.g., private equity), which hinders their growth and ability to expand into international markets.

#### Energy Worries

15. (C) Turning to energy, Bersani said there is a need for more investment in energy infrastructure to meet rising demand. He said that "Europe needs to act as one on energy issues" through strong diplomacy and needs long-term contracts for energy supplies to ensure stable prices. In order to ensure a stable energy supply within Europe overall, Bersani said different countries should specialize in different energy sources. He suggested that Italy could concentrate on natural gas; France, on nuclear energy; and Germany, on coal, for example. Bersani admitted that he is "preoccupied" with Italy's reliance on Russian natural gas. He stated that Russia needs to be moved to market-driven practices in the energy sector, but did not specify how this could be done.

#### Comment

16. (C) Bersani's commitment to economic reform is a welcome change in Italy, where reforms were discussed, but often not implemented, by the Berlusconi government. However, Bersani faces an uphill battle in implementing reforms that will likely be opposed for political reasons and by groups with an interest in the economic status quo. Among top GOI economic policy makers, Bersani and Bank of Italy Governor Mario Draghi stand out so far for their commitment to economic reform and their ability to make a strong case for the benefits of reform to the Italian economy. We will seek out opportunities to engage Bersani on reform and ways in which to spur economic growth, including within the context of the Ambassador's Partnership for Growth. End comment.  
SPOGLI